

QI Automotive
Professional Auto Parts

QI Automotive

2023

Environmental, Social and Governance Report

About this report

Scope of the report

The scope of this report covers QI Automotive Co., Ltd. ("QI Automotive", "the Company" or "We") and its holding subsidiaries. The period of this report is from January 1st, 2023 to December 31st, 2023, with certain extensions for some contents. The basic unit of currency of this report is RMB unless otherwise specified. This report covers the environmental, social and governance (ESG) strategy, management and practices of QI Automotive and its holding subsidiaries.

Report confirmation and approval

The report has been confirmed by the ESG Management Committee of the Company and approved by the Board of Directors on April 9th, 2024. The report is available in simplified Chinese and English.

QI Automotive Headquarters address:

No. 1 Luanhe Road, Economic and Technological Development Zone, Jiaozhou, Shandong Province, China

Report Organizing Principle

The report is referring to Guidelines No.11- Sustainable Development Report (Trial)(Draft) of the Continuous Supervision of Listed Companies ("BOE Guidelines (Draft)") of the Beijing Stock Exchange ("Beijing Stock Exchange") prospectively, and is prepared according to the Global Reporting Initiative Guidelines for Sustainable Development Reports (GRI Standards), the United Nations Sustainable Development Goals (SDGs) and the MSCI Index. The preparation process of the report is conducted according to the standards, communication with stakeholders, analysis of important topics, information collection, report writing, and management approval are followed to ensure that the report meets the principles of importance, quantification, balance and consistency.

Disclaimer

Some contents of this report are forward-looking, including plans, objectives, etc. Such contents are based on management's current expectations, which may be affected by uncertainties that may cause them to differ materially from actual results. The Company does not undertake the obligation to update any forward-looking statements in this report.

Sources of information

Unless otherwise specified, the information and figures cited in the report are from the Company's official documents, statistical reports and financial reports or relevant public documents, and have been compiled, summarized and audited by the relevant departments. QI Automotive undertakes that there is no false, misleading statement or material omission in this report. The Board of Directors is responsible for the authenticity and accuracy of the report.

Access to the report

The report includes both simplified Chinese and English versions. In case of any discrepancy, the simplified Chinese version shall prevail. The report can be accessed or downloaded on the Beijing Stock Exchange website (<https://www.bse.cn>) and the Company's website (<https://www.qi-auto.com>). If any further inquiries, questions or suggestions regarding this report, please contact the Company with the following contact details.

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Statement of the Board

The Board of Directors of the Company attaches great importance to sustainable development management. QI Automotive has established an effective sustainable development mechanism, continuously improved the environmental, social and governance (hereinafter referred to as "ESG") management framework, strengthened the Board of Directors' supervision over and participation in the governance of the Company under the ESG framework, proactively fulfilled corporate social responsibility, and enhance long-term sustainable development.

QI Automotive
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ESG framework Governance

The board of directors, as the decision-maker for the operation and management of the company, shall take responsibility for the ESG strategies, policies and other performance of QI Automotive, and authorize the ESG Management Committee, which is headed by the Chairman of the company, to manage and make decisions on ESG-related matters. The ESG Management Committee is responsible for reviewing, formulating and approving the ESG development goals, policies and strategies of the company. The committee shall also regularly discuss and review the ESG-related goals and achievements. The committee shall also regularly report to the Board of Directors. At the executive level, the company set up an ESG implementation group to be responsible for the daily management and coordination of ESG-related matters, and shall timely report results.

ESG Risk Management

QI Automotive attaches importance to the possible significant impact of ESG risks. In February 2024, the Board of Directors approved the establishment of the ESG Management Committee, and it has been established to be responsible for coordinating ESG - related matters and formulating ESG strategy, which will be reviewed and approved by the Board of Directors. The Company's ESG issue pool shall be updated each year in light of the industry ESG risks, regulatory requirements and macro-policies, and the Company shall carry out assessment of the significance of ESG issues by conducting stakeholder survey, expert assessment, board discussion, etc. .

The Board of Directors has participated in the assessment of the significance of the ESG issues for the year 2023, discussed major ESG risks, and reviewed and confirmed the analysis results of the significance issues for the year.

ESG Objective Management

QI Automotive develop ESG objectives based on company operation by taking into account of international and domestic ESG principles and practices. In order to adapt newest internal business development and external environment change, the Board of Directors reviews and discusses ESG objectives, review the achievement of the relevant objectives regularly.

Chairman Message

In 2023, the global economy has been faced complex and volatile changes. QI Automotive has strived to focus on its main business to overcome various adverse effects, to improve its performance adhering to the concept of sustainable development, to actively perform social responsibility, and to collaborate with many partners, always bearing in mind of the corporate mission of "Pursue the spiritual and material happiness of all employees, Build cost-effective products, Help customers grow, and Save money for car owners around the world."

Steady Operation and Improve Corporate Governance

In 2023, QI Automotive adheres to the "Reservoir-based" business philosophy to maintain the steady growth of our performance. Our overall strategy is "Rooted in China, Serving the Globe; Global Procurement and Global Sales" to achieve coordinated domestic and overseas development, online and offline business as well. We continue to strengthen the development of compliance management, constantly improve the governance structure of listed companies, and enhance the level of standardized operation. In 2023, the Company convened a total of 10 board meetings, 10 Board of Directors meetings and 6 shareholders' general meetings and disclose 141 announcements in order to effectively protect the rights and interests of all shareholders and strive to improve corporate governance.

Technological innovation, deliver the company's development momentum

We believe that "Science and technology is the first productive force". With the company's accumulated years of experience, we continue to carry out product development and innovation in 2023. At the same time, the company actively attract external talents, absorbs external product design concepts. We focus on the industry needs resulted from market survey, carry out targeted development and innovation to meet the market needs. In 2023, we added 12 patents (including 2 invention patents, 10 utility model patents) and 35 software copyrights; new products accounted for more than 20% of our revenue.

Green and low-carbon, strengthen the company's environmental protection concept

In 2023, the company always adhered to the path of sustainable development, and earnestly implemented the environmental protection concept of green and low-carbon. The company promote vegetarianism, the use of biodegradable garbage bags, lunch boxes, advocate the use of second-hand office furniture, and advocate low-carbon office work to save energy. The company insists on investing in the field of auto parts remanufacturing, produce a total of 20,000 remanufacturing calipers, saving 61 tons of coal, 152 tons of carbon dioxide emissions, 37 tons of dust and 3.9 tons of sulfide in 2023.

People-oriented, consolidate the cornerstone of company development

In 2023, we adhere to the people-oriented corporate culture, actively pursue both the spiritual and material happiness of all employees, and constantly improve employee compensation and benefits. We empower employees through designated mentors, twice-a-year talents assessment, timely rotation learning, diverse training and other measures. We care about female employees, setting up a "Mommy Cafe", equipped with electric reclining chairs, refrigerators and other facilities.

Go forward hand in hand, convey the company's altruistic spirit

All employees of the company move forward hand in hand. As of December 31, 2023, QI Automotive enables employees to hold shares of the company, directly or indirectly, through equity incentive plans and employee stock ownership platforms, covering 128 employees, accounting for 44.6% of the total number of employees. In 2023, we went forward hand in hand with investors and implemented two cash dividends during the year; we went forward hand in hand with suppliers, helping suppliers improve product quality and technical capability, and improve delivery stability; we went forward hand in hand with customers, providing integrated solutions to help customers grow; we went forward hand in hand with society, adhering to the core values of "law-abiding business, contributing to prosperity to the society", paying attention to contributing to the society, and taking social responsibility proactively. In 2024, we will adhere to the environmental protection concept of green and low-carbon, continue to stick to the path of sustainable development, continue scientific and technological innovation, improve management mechanism, improve governance level, and actively fulfill social responsibility. We will continue to deepen the ESG management and practice, and embark on a new journey with all collaborating partners.

ZHONG YONGDUO

Chairman of QI Automotive



Key Performance Year 2023

01

2023 Key Performance

2023 Key Financial Performance and Index

Unit: Yuan

	2023	2022	Increase or decrease over last year %
Total Revenue	558,428,514.22	423,282,462.07	31.93%
Gross Profit %	29.62%	25.86%	-
Net profit attributable to shareholders of listed companies	69,650,547.15	50,435,076.62	38.10%
Net profit attributable to shareholders of listed companies after deduct recurring gains and losses	69,399,993.15	43,509,842.65	59.50%
Weighted average return on assets % (According to Net profit attributable to shareholders of listed companies)	14.75%	11.40%	-
Weighted average return on assets % Weighted average return on assets % (According to Net profit attributable to shareholders of listed companies after deduct recurring gains and losses)	14.70%	9.84%	-
Basic earnings per share	1.10	0.81	35.80%

Data Sourcing: Company 2023 Annual Report

About QI Automotive

Company Overview

Corporate Culture

Development Milestones

Corporate Brands

Corporate Accolades

Corporate Products



2.1 Corporate Overview

QI Automotive Co., Ltd., stock code: 837242, was established in 2004, the company is committed to the design, development and sales of Hard-to-Find parts for the global automotive aftermarket, while serving customers with excellent supply chain management.

280+

Total employees

5

Subsidiaries

30,000 m²

Storage Centre

ALL

SAP Digital Management

QI Automotive business scope covers aftermarket parts of automobiles, yachts, motorcycles, ATV/UTV and construction machinery, with a focus on automotive braking systems, steering systems, transmission systems, engine systems, electrical and electronic systems, and automotive electronic systems. QI Automotive has developed design and development capabilities of non-fragile parts of automotive, standard testing capabilities, product quality control capabilities, supply chain management capabilities, provides supply chain integration and management services domestic and international customers, the company has rich experience and remanufacturing capabilities in the field of resource recycling.

Subsidiaries

CoreMax Recycling (Qingdao) Co., Ltd.

Mainly committed to the recycling and remanufacturing of automotive parts, with a wide range of product channels and professional remanufacturing capabilities

QI Automotive (Qingdao) Co., Ltd.

Focusing on the research, production and sales of automotive parts, take automotive brake and electrical and electronic products as the leading products, other chassis and transmission systems as the auxiliary.

QI Tuman Auto Parts Co., Ltd.

Mainly engaged in the development, design and sales of automotive parts

QI Automotive Germany GmbH

the German subsidiary, is mainly responsible for the management and operation of the European market, product research and market maintenance.

Q-Thai Auto Parts CO., Ltd.

The Thai subsidiary mainly engaged in the manufacturing, wholesale and retail of automotive parts and motorcycle parts, etc.

2.2 Development Milestones



In 2016, QI Automotive listed on National Equities Exchange and Quotations (Hereinafter refer to "NEEQ"), became the first automotive aftermarket and parts supply chain management company on NEEQ.



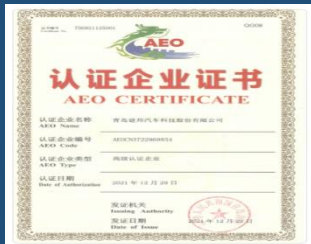
In 2017, established strategic partnership with several domestic partners, and BAIC Group became the second largest shareholder



In 2018, expanded domestic market rapidly



In 2020, become the first enterprise listed in "Select Levels" in Shandong province, and the first in the domestic automotive aftermarket industry



In 2021, obtained the certificate of Authorized Economic Operator (AEO)



On February 18th, 2021, rewarded as "Jiaozhou Demonstration Enterprise for Capital Market in 2020"



In March 2023, obtained the ISO 27001 Information Security Management System Certificate

Q-Thai Auto Parts Co., Ltd.

Engage in the manufacturing, wholesale and retail of auto parts and motorcycle parts.

In February 2024, established the Thai subsidiary

2.3 Corporate Accolades

2020

Award for Most Potential Enterprise of Whole Vehicle Parts



2021

Jiaozhou Demonstration Enterprise for Capital Market



2023

By December 2023, has obtained 86 patents (including 8 invention patents, 75 utility model patents, and 3 design patents), 63 computer software copyrights, and 17 works copyrights.



2021

Advanced Enterprises in Investor Protection 2021 (QI Automotive)



2022

Advanced Enterprises in Investor Education and Protection 100 Days Pulpit 2022 (QI Automotive)

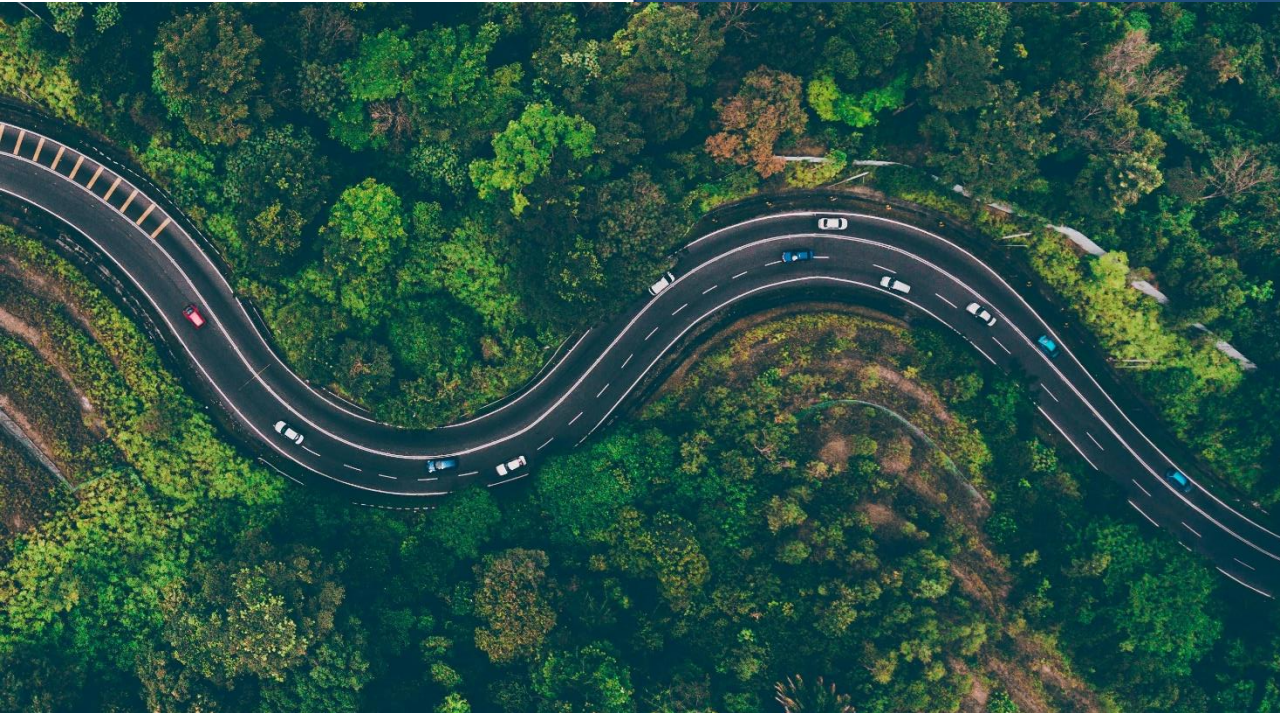


2023

Advanced Enterprises in Investor Protection 2023 (QI Automotive)



2.4 Corporate Culture



QI Automotive admires kindness. The consensus of executives and employees is that the value of the enterprise is altruistic, which forms a special corporate culture of business for good.

Vision

Based in China, serving the global automotive aftermarket leader;

Mission

Pursuing the happiness of all employees in both material and spiritual aspects, to create cost-effective products, help customers grow, and save money for global car owners;

Quality Policy

Refine and improve continuously

Guidelines

Law-abiding, employee growth can not be established on the basis of sacrificing the interests of others, accumulate good deeds, and think of altruism.

Values

To employees: Attentively improve employees' happiness

To customers: Customer first

To shareholders: Shared returns

To suppliers: Equal cooperation

To society: Law-abiding operation, contributing to society and prosperity

2.5 Corporate Brands

QI Automotive has two private brands of science and technology products, with their own characteristics

TOMAN, dare to be the first in the world

QI Automotive's brand "TOMAN", positioned in the domestic automotive aftermarket, including air pumps, distribution valves, transmission shafts, brake calipers, wiper motors, steering knuckles, brake oil pipes, glass lifter switches, etc., covering more than 90% of the domestic passenger cars and brands, including Mercedes-Benz, BMW, Audi, Land Rover, Jaguar, Volvo and other luxury cars as well as Volkswagen, General Motors, Ford, Nissan, Toyota, Honda, Peugeot and other mainstream joint venture brands.

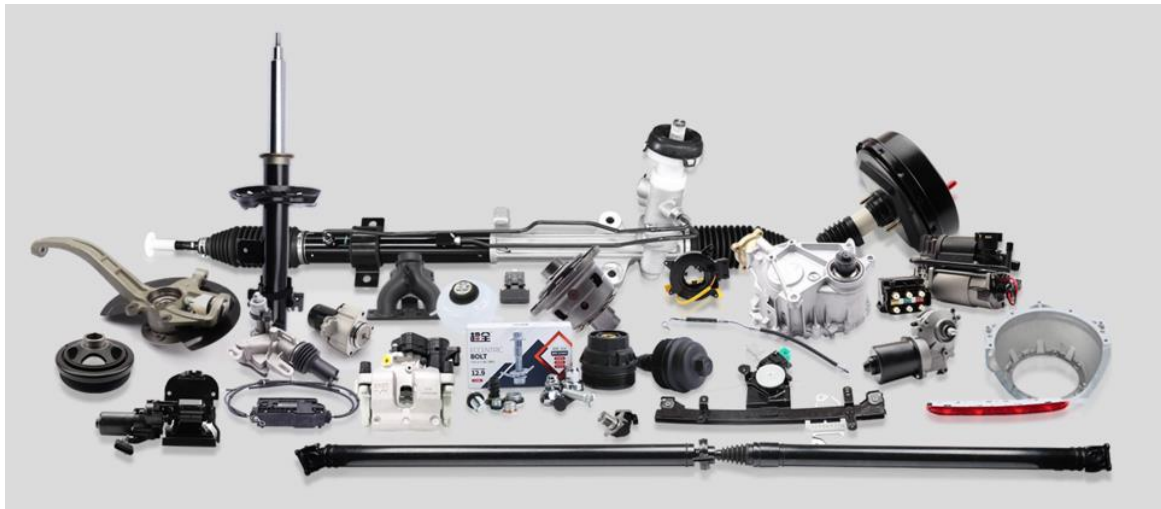
CHAOQUAN, Small Products Big Energy

QI Automotive's brand "CHAOQUAN", the main products are hub screws and nuts, oil drain screws, eccentric bolts, filter end covers and other automotive accessories with high added value. The "CHAOQUAN" brand currently covers more than 98% of the models, and the distribution of channels in the country's prefectures and cities is accelerating. The company has launched a brand-related "V code inquiry system", which solves the difficult problems of sales convenience, vehicle type matching, quality assurance, and distribution efficiency.



2.6 Corporate products

QI Automotive is committed to the development and design of Hard-to-Find parts for automotive aftermarket, covering about 30,000 product categories of six systems, including transmission system, engine system, braking system, steering system, electrical/electronics system and automotive electronic system.



QI Automotive is committed to technological innovation iteration, continuously increasing its investment in technological R&D for years, and leading the automotive aftermarket service with technological innovations, making it a global automotive aftermarket service provider with leading technological advantages in the industry.

Corporate Governance

Governance Structure

Compliance Operation

Risk Management and Control

Responsibilities of Board of Directors

Business Ethics

03

3 Corporate Governance

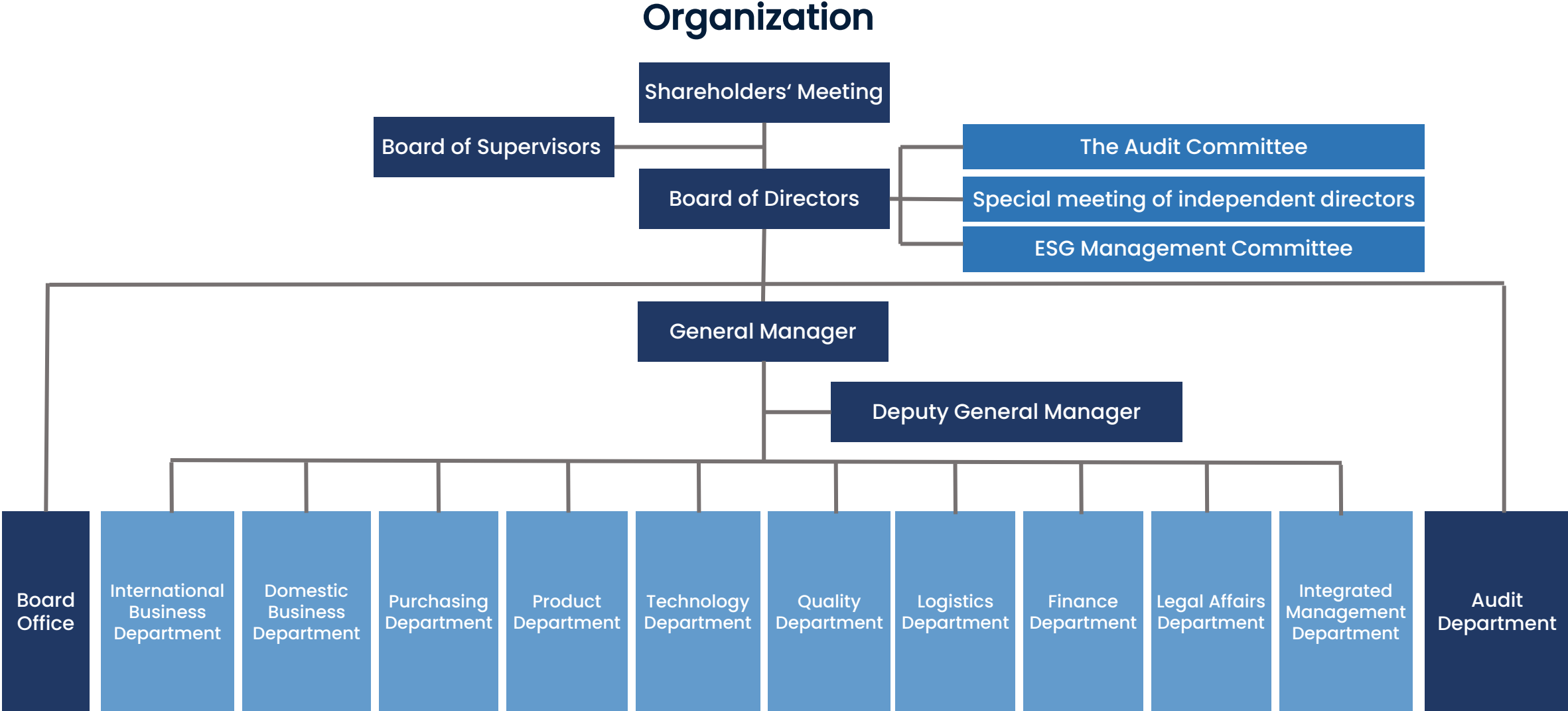
QI Automotive is committed to building and continuously improving a scientific, orderly, innovative and dynamic sustainable development governance system to adapted to the future development. In accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Stocks at Beijing Stock Exchange (Trial Implementation) (hereinafter referred to as "Listing Rules") and other laws, regulations, rules and guidelines to regulate corporate governance.

3.1 Governance Structure



QI Automotive continuously optimizes the company's policies and systems and perfects the corporate governance structure based on the actual situation of the company and the latest regulatory requirements. The shareholders' meeting of the company is entitled to highest decision-making power as provided by laws, regulations and the Articles of Association of QI Automotive Co., Ltd. (hereinafter referred to as the "Articles of Association"), and shall exercise the decision-making power in respect of the operation policy, financing, investment, profits distribution and other major issues of the company in accordance with laws. The board of directors shall be responsible to the shareholders' meeting and shall exercise the operation and management powers in accordance with laws, decide on operation policies and investment plans, supervise and guide the management team to improve rules and regulations, improve decision making mechanism, standardize working procedures, tighten examination and approval procedures, establish and improve modern organizational structure, enhance the efficiency and quality of investment decision -making.

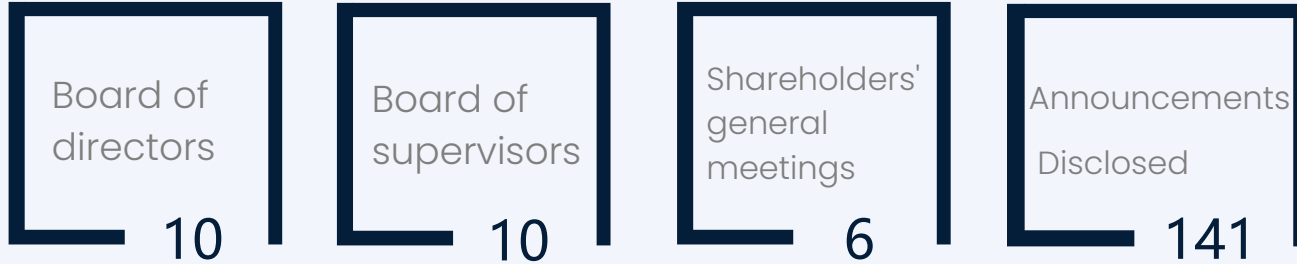
3.1 Governance Structure



3.2 Compliance Operation

QI Automotive has consistently complied with applicable national or regional laws and regulations and referred to international standards and initiatives in the course of the operation of the company to improve the compliance management system constantly.

Convened cumulatively by the company in 2023



The rights and interests of all shareholders shall be protected and efforts shall be made to improve corporate governance.



3.2 Compliance Operation

The company advances compliance continuously, hosting 4 compliance trainings in 2023.

July 2012



ISO 9001 quality management system certification is passed

December 2021



AEO (Authorized Economic Operator) Certificate of Customs

March 2023



ISO/IEC27001-2013 Information Security Management System Certificate is obtained.

September 2023



The company starts ISO 14001 Environmental Management System Certification and ISO 45001 Occupational Health and Safety Management System Certification

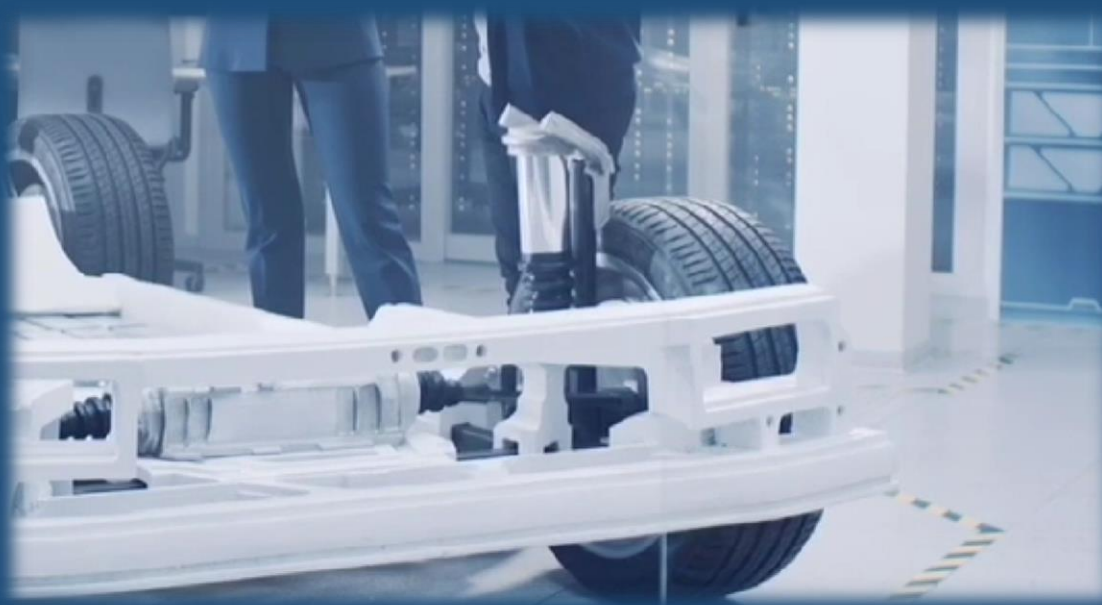
March 2024



QI Automotive (Qingdao) Co., Ltd., a wholly-owned subsidiary of the company, has obtained IATF 16949 Automobile Quality Management System Certificate

3.3 Risk Management and Control

QI Automotive attaches great importance to risk management and control, establish the company's risk management framework and related risk management systems comprehensively. The board of directors takes the role of leading and decision-making for risk management, has three independent directors. At the same time, it formulates risk management indicators and incentives for senior management, strengthens risk management awareness and adopts various risk management measures.



Risk Identification and Assessment

In 2023, the company identified supply chain risk, R&D risk, market competition risk and other major risks in light of national policies, changes in market environment, its own operation and concerns of various interested parties. The company conducted scenario analysis, sensitivity analysis and pressure analysis of material risks, assessed the possible financial and business effects thereof under general scenarios, most adverse scenarios and optimal scenarios, properly carried out risk prevention and control, and timely give risk prompt and early warning of the possible internal and external risks, which reflect upon and improve the risk management workflow of the company on a regular basis.

Risk Management and Monitoring

QI Automotive focuses on the effectiveness of the company's risk management and internal control. The board of directors shall review the management's development, implementation and supervision of risk management and internal monitoring system on a quarterly basis. The company conducts regularly internal audit and related evaluation in order to identify risks of the company, update internal control system and ensure effective operation of the internal risk management system. In the course of identifying risks, the company shall continuously update and improve various management systems in accordance with requirements of the CSRC and the rules of the Beijing Exchange, including the Shareholders' Meeting System, the Board of Directors System, the Board of Supervisors System, the Independent Director Working System, the Information Disclosure Management System, the Internal Audit System, the Audit Committee Work Rules, the Special Meeting System of Independent Directors, the Information Asset Security Management System, the Risk Evaluation Procedure, the Network Management System and other relevant management systems, and gradually upgrade its risk management and control efforts.

3.4 Responsibilities of the Board of Directors

On November 15, 2023, the Board System, the Independent Director Working System, the Audit Committee Work Rules, the Special Meeting System of Independent Directors, the Board Secretary and other relevant systems of the board of directors were amended in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules, the Articles of Association and other relevant regulations of the board of directors to further regulate the discussion methods and decision-making procedures of the board of directors of QI Automotive, promote directors and the board of directors to effectively perform their duties and enhance the standardized operation and scientific decision-making level of the board of directors.

The Board System contains provisions concerning the establishment of the general office of the board of directors, regular meetings, interim meetings, convening procedures, meeting notice, attendance, voting and resolution at meetings, etc., ensure the continuous standardized and efficient operation of the board of directors and urge the directors to assume their corresponding responsibilities.



3.5 Business Ethics

QI Automotive adopts a zero-tolerance attitude to commercial corruption. The Company shall strictly comply with the Anti-Money Laundering Law of the People's Republic of China, the Supervision Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other laws and regulations, and formulate its internal Human Resource Management System, Undertaking on Compliance and Incorruptibility of Staff and other rules, which clearly define corruption and bribery and other acts, including bribery, kickback, improper enrichment, money laundering, etc., and stipulate relevant control measures. In addition, our system also specifies the working standards and discipline norms for employees and incorporates the compliance behaviors of employees into performance review. In addition, the agreement between the Company and its cooperative third party agencies sets out incorruptibility and confidentiality clauses, requiring suppliers to sign White Hands Commitment Letter when bidding. The Company shall immediately cease cooperation with and pursue legal responsibility for any supplier who violates the Company's incorruptibility rules. In 2023, the signing rate of the White Hands Commitment Letter by the suppliers of the Company reaches 100%.



3.5 Business Ethics

Incorruptibility Education

QI Automotive shall always carry out various training activities such as incorruptibility education, promotion and implementation of values, code of conduct, promotion and implementation of laws and regulations, covering directors, management personnel and regular employees of the Company. The Company shall publicize and implement integrity values to its management and all employees on a regular basis, and expressly stipulates that new employees shall receive training on code of conduct after they are employed. Meanwhile, the Company and each business department shall regularly and from time to time hold training on code of conduct, to continuously strengthen the awareness of compliance with laws and regulations and incorruptibility of all employees.

Supervision and Reporting

QI Automotive receives supervision reports through multiple channels.

The company formulates a normative process for dealing with fraud complaints. The chairman and the internal audit department receive and supervise the reports directly. Each feedback and report will be verified by the company. After receiving the report, a person will be arranged to conduct an investigation, follow up and investigate suspected incidents in a timely manner, and form an investigation report to the chairman.

In addition, the contact email and phone number published on the company website also receive feedback from customers, suppliers, media, investors, and internal employees.

Management for sustainable development

Governance structure for sustainable development

Communication with stakeholders

Analysis of important issues

Focus on areas related to United Nations sustainable development

QI Automotive focuses on the environmental and social impact of its business, establishes and improves an ESG governance structure, actively communicates with stakeholders, and promotes the orderly implementation of sustainable development governance of the company.



4.1 Governance structure for sustainable development



On February 27, 2024, the board of directors of QI Automotive approved the establishment of an ESG management committee, forming a three-level governance structure of "board of directors – ESG committee – ESG implementation group". A closed-loop management system from decision-making, communication, execution, reporting and evaluation was established to ensure the effective implementation of ESG management.

4.1 Governance structure for sustainable development

Board of directors

Board Members

Take overall responsibilities for ESG work of the company, and be responsible for supervising the development direction and strategy of ESG of the company; identifying, assessing and managing significant ESG risks related to the business of the company; receiving regular reports from the ESG management committee or other relevant management; reviewing and approving the sustainability report and other ESG management policies of the company.

ESG management committee

Chairman: Mr. Zhong Yongduo, Chairman and General Manager of the Company

Members: Dai Xiaoling, Director and Deputy General Manager; Wang Fengmin, Director; Chen Rugang, Board Secretary; Zhang Huaxia, Manager of General Management Department.

Guidance and development of an ESG vision, objectives, strategy and structure for the Company, in order to ensure alignment with the needs of the Company and compliance with applicable laws, regulations, regulatory requirements and international standards;

1. Overseeing the development and implementation of an ESG vision, strategy and structure for the Company, including the formulation of performance objectives for the Company's ESG management, and reviewing progress in implementing these objectives, and making recommendations to improve performance;
2. Identifying and sequencing material ESG risk issues of the Company, and making recommendations to the board of directors;
3. Reviewing key ESG trends, risks and opportunities, and accordingly assessing the adequacy and effectiveness of the Company's ESG structure;
4. Overseeing the channels and manners of communication with the Company's stakeholders, and ensuring that relevant policies are in place to effectively promote the Company's relationships with its stakeholders and to protect the Company's reputation;
5. Reviewing the Company's ESG policies to ensure their applicability and compliance with the ESG Standards;
6. Reviewing the ESG Reports and other ESG -related disclosures of the Company, and making recommendations to the board of directors to maintain the integrity of the ESG Reports and other ESG -related disclosures;
7. Performing other ESG -related duties as delegated by the Board of Directors.

ESG Executive Team

The heads of departments as members of the Executive Team

According to the overall arrangement of the ESG management committee, they shall put into practice and implement the important ESG matters relating to the departments, incorporate the ESG - related indicators into the daily operation and management of the departments, regularly review the progress and risks of the ESG - related matters of the departments, and regularly report to the ESG management committee.

4.2 Communications with Interested Parties

Parties in Interests	Major Focuses	Communication Channels
Governmental and Regulatory Authorities	Lawful Tax Payment Lawful Operation Energy Conservation and Emission Reduction Business Ethics Board of Directors and Supervisory Board	Governmental and Corporate Seminars Information Submission.
Customers	Product Quality Responsible Marketing Service Experience Information Security and Privacy Protection	Online Promotion/Online Live Platform Offline Promotion/Offline Trade Fairs Company Website WeChat Official Accounts New Product Launches Customer Satisfaction Survey Market Research Activities
Employees	Lawful Rights and Interests Compensation and Benefits Training and Development Occupational Health and Safety Diversity and Equal Opportunity Gender Equality Green Office	Staff Meeting Staff Training Internal and Overseas Websites Internal Research Corporate Culture Communications and Implementation Private Tutoring Staff Activities

Parties in Interests	Major Focuses	Communication Channels
Investors	Corporate Governance Return on Investment Risk Management and Control Information Transparency	Shareholders' Meeting Road Shows Telephone Hotline Regular Information Disclosure Mail or Telephone Enquiries Company Website News Media
Business Partners	Supply Chain Management Cost Control Fair Competition	Site Research Supplier Meetings and Audit Supplier Agreements and Contracts Supplier Training and Exchange Activities
Community and Environment	Environmental Protection Education Public Welfare Assistance for Disadvantaged Group Emissions Management Solid Waste Treatment	Low Carbon Commuting Cultivation and Promotion of Low Carbon Awareness Community Construction Social welfare projects Volunteer Activities Waste Disposal Report

Parties in Interests	Major Focuses	Communication Channels
Media	Information Disclosure Media Interactions Information Security and Privacy Protection	Press Conferences Media Exchanges Company Website and Social Media Interactions
Public Charity and NGO	Impact on Sustainable Development Social Contribution	Participation in Public Charity Project Empowerment Competency Training

4.3 Analysis of Critical Issues

Through active communication and proactive investigation, the Company shall hold irregular communication meetings with interested parties to understand and collect the opinions and appeals of all interested parties, identify important issues of ESG and highlight such issues in its reports, and continuously improve its sustainable development management level based on important issues. According to the 2023 business development, the Board and ESG Management Committee identify the following Critical Issues through three steps of "Identification Research Analysis":

Critical Issues Identification Step

Importance	Issues	Category
Extremely Important	Product Quality and Safety	Social Issues
	Business Ethics	Governance Issues
	Customer Service and Satisfaction	Social Issues
	Compliance and Risk Management	Governance Issues
	Innovation and Development	Social Issues
	Occupational Health and Safety	Social Issues
Very Important	Supply Chain Management	Social Issues
	Talent Attraction and Retention	Social Issues
	Employee Rights and Well-being	Social Issues
	Emissions Management	Environmental Issues
	Training and Development	Social Issues
	Resource and Energy Management	Environmental Issues
	Diversity, Equality and Tolerance	Social Issues
	Green Products	Environmental Issues
General Important	Climate Change and Carbon Emissions	Environmental Issues
	Water Resources Management	Environmental Issues
	Community Welfare	Social Issues

Identification	With reference of "BOE Guidelines (Draft) prospectively, and practically refer to the Standards for Compiling Sustainability Reports issued by the Global Reporting Initiative (GRI) and in light of the assessment requirements of the capital market ESG rating index, the Company should fully identify the important ESG issues and the concerns of various stakeholders, and monitor the relevant media information by benchmarking against domestic and foreign peers. QI Automotive has identified 17 key ESG issues.
Research and Study	To collect materials and feedbacks from relevant departments and interested parties by means of on-site research and interviews.
Analysis	The survey results were analyzed and ranked from two dimensions of "Importance to Sci-Tech" and "Importance to Stakeholders", and a matrix of Sci-Tech's 2023 ESG Critical Issues was drawn, which was reviewed and confirmed by the ESG Management Committee.

Note: Please refer to Part 5 of this report for responses to some issues.

4.4 Focus on United Nations Sustainable Development Areas

QI Automotive develops sustainable development strategy by analyzing world political and economic development trends, corporate strategic planning and current situation comprehensively. The 17 United Nations Sustainable Development Goal areas were matched. According to sector and industry characteristics, it is hoped that **Goal 1 (No Poverty)**, **Goal 3 (Good Health and Well-being)**, **Goal 4 (Quality Education)**, **Goal 5 (Gender Equality)**, **Goal 6 (Clean Water and Sanitation)**, **Goal 7 (Affordable and Clean Energy)**, **Goal 8 (Decent Work and Economic Growth)**, **Goal 9 (Industries, Innovation and Infrastructure)**, **Goal 10 (Reducing Inequalities)**, **Goal 11 (Sustainable Cities and Communities)**, **Goal 12 (Responsible Consumption and Production)**, **Goal 13 (Climate Action)**, **Goal 16 (Peace, Justice and Strong Institutions)** and **Goal 17 (Partnerships for the Goal)**.

Goal Areas	Sustainable Development Goals	Active Participation
Goal 1 No Poverty		Donation to the Needy and Charity Increase Employee Earnings
Goal 3 Good Health and Well-being		Attention to Employee and Public Health Improvement of Employee Compensation and Benefits
Goal 4 Quality Education		Pay attention to Training and Development Well-designed Training System Equal Access to Education
Goal 5 Gender Equity		Gender Parity Adjustment Equal Pay for Equal Work
Goal 6 Clean Water and Sanitation		Attention to Water Pollution Improvement of Health and Environmental Awareness
Goal 7 Affordable and Clean Energy		Attention to Carbon Emissions Use of Clean Energy
Goal 8 Decent Work and Economic Growth		Green Office Environment Decent Income Sustainable Operations
Goal 9 Industries, Innovation and Infrastructure		Technological Innovation Remanufacturing Innovation Optimizing Infrastructure

Goal Areas	Sustainable Development Goals	Active Participation
Goal 10 Reduction of Inequalities		Diversity Multiethnic/Multiracial No Discrimination
Goal 11 Sustainable Cities and Communities		Focus on Energy Conservation and Environmental Protection Promote Low-Carbon Travel Active Participation in Community Building
Goal 12 Responsible Consumption and Production		Ensure Product Quality Responsible Marketing
Goal 13 Climate Action		Low-carbon Lifestyle Environmental Awareness Promotion and Implementation Reuse of Product Packaging Solid Waste Treatment Construction of Green Factories Promotion of the Paperless Office Use of Clean Technology
Goal 16 Peace, Justice and Strong Institutions		Legal Compliance Business Ethics Brand Reputation
Goal 17 Partnerships for the Goal		Fair Cooperation Sustainable Development Enhancing Competitiveness

Sustainable Development Strategy

Steady Operation, Improve Corporate Governance
Continuously Science and Technology Innovation,
Transmit Development Momentum

Green and Low Carbon, Strengthen Environmental
Protection Concept

People-oriented, Enhance the Development
Cornerstone

Move forward Hand in Hand, Ripple effect of Altruistic
Spirit

05

5.1 Sound Operation and Improvement of Corporate Governance

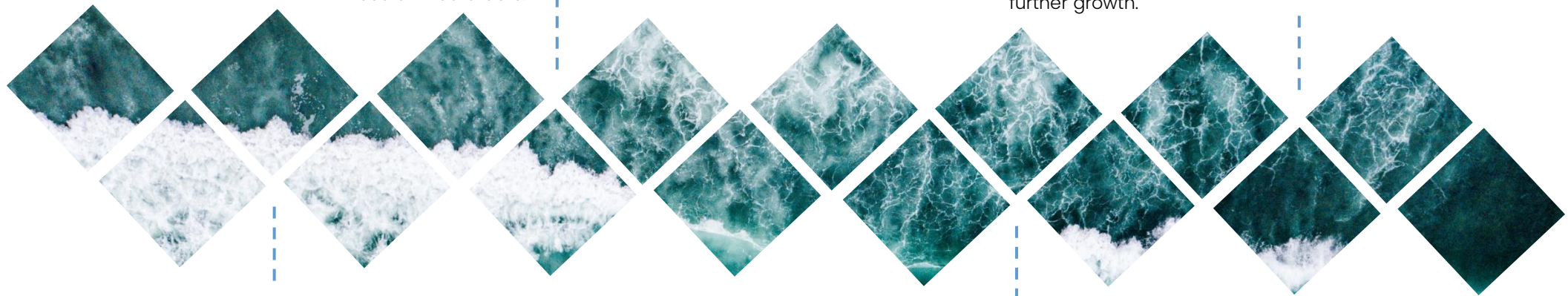
The global automotive aftermarket is growing by about 3% per year, with a market volume of 1.2 trillion euros by 2030. QI Automotive adopts a flexible market-oriented model, focusing on the global market, to convert demand into products. Through analysis of supply chain management, procurement management, the global market, traditional customers, dealers, etc., to create products quickly, and promote the global development of the automotive aftermarket.

Strong Supply Chain System

QI Automotive has more than 400 audited qualified suppliers, and manages to shape a flexible supply chain system, which can quickly respond to global customer needs and customized orders.

Organization system with high efficiency and coordination and high speed operation

The front, middle and back stages of the company work closely, comprehensively introduce the Amoeba operate system, optimize the organizational management structure, and effectively control various problems in the company's development, to lay a solid foundation for the company's further growth.



Reservoir Management Concept

QI Automotive adhere to the "reservoir" business philosophy, to maintain the company's solid growth. Adhere to the overall strategy of "based in China, Serve the world; Global Procurement, Global Sales", to achieve coordinated development of domestic and overseas, online and offline; and continue to strengthen the compliance management system, improve the governance structure of listed companies, and improve the level of operation.

Sound and Standardized Company Management System

Establish rules and regulations and business processes dominated by the company's articles of association, covering all aspects of corporate governance and management.

5.1 Sound Operation and Improvement of Corporate Governance

Product Quality and Safety

"Quality first, Customers first; constantly pursuing perfection, and continuous improvement." This is the firm attitude of QI Automotive towards product quality management, and continuous optimization of quality and safety management system from various aspects.



QI Automotive, through diversified testing methods and experimental verification, continuously controls the suppliers' production processes, and R&D staffs review the design and production processes, effectively improving the suppliers' production technology and quality control.

Obtain International Quality Management System Certification

In March 2024, the company obtained the IATF16949 automobile quality management system certification

Obtain ISO9001: 2015 Quality Management System Certification in 2018

Received various awards and honors for service

Appraised by the China Automobile Dealers Association as one of the "Top 20 Enterprises to Select Purchasers to Select China's Automobile After-sale Parts Industry Service Quality in 2019" in 2019

Appraised by the China Automobile Dealers Association as one of the "First Batch of Enterprises Meeting the Standards for Automobile After-sale Parts Sales and Services" in 2018



5.1 Sound Operation and Improvement of Corporate Governance

Security of information and network

QI Automotive attaches great importance to the information and network security, and has established a sound information and network security management system.

- ✓ Establishing network and information security management rules
The company promulgated 26 special management principles and rules regarding to network and information security, including but not limited to the Information Security Manual, the Management System for the Security of Information Assets, the Management System for the Information Processing Facilities, the Management System for the Backup and Monitoring of Information System, the Administrative Measures for the Acquisition, Development and Maintenance of Information Security System, the Network Management System, the Management System for the Security of Access Control, the Software Installation Management System, the Management System for the Transmission of Information Security Events, etc.
- ✓ To strengthen awareness training of network and information security
The company emphasizes the importance of network and information security in the orientation of new employees and conducts network and information security training for all employees on an annual basis to cultivate their awareness of network and information security and enable them to be familiar with the network and information security management rules of the company.



5.1 Sound Operation and Improvement of Corporate Governance

Customer Service and Satisfaction

The Company, as a parts service enterprise, is positioned in automotive aftermarket with the original intention to benefit customers. Precision of customer service and customer satisfaction are vital to all staff of the company.

Vision

Based in China, serving the global automotive aftermarket leader.

Mission

Pursuing the happiness of all employees in both material and spiritual aspects, to create cost-effective products, help customers grow, and save money for global car owners.



Product R&D is Carried Out According to Customers' Needs

The company continuously pays attention to the problems and pain points of car users in the automotive aftermarket. Customer pain points are the focus of the company's R&D. Based on market research and front-line information, the company continuously organizes its technical departments and intellectual property specialists to conduct patent screening and technical improvement, and to conduct feasibility analysis for new product development.



Focusing on Non-fragile Parts and Components to Provide Customers with Highly Cost-Effective Products

In the aftermarket industry, non-fragile spare parts are highly sensitive to the cost performance of car owners, while the price of original spare parts is usually high. The Company take the advantages of the domestic auto parts manufacturers. The engineers of the Company give technical instructions on the products and strictly control the product quality.



Establishing a Highly Efficient Customer Communication and Service System

The company has set up a sound customer communication and service system which is equipped with personnel specially assigned to meet the needs for quick response and efficient coordination for both domestic and international markets. To respond the needs of different types of customers in different regions, the company cooperates with its marketing partners to carry out joint R&D and production with integrated services.

5.1 Sound Operation and Improvement of Corporate Governance

Supply Chain Management

The characteristics of the industry and products positioning highlight the importance of the company's supply chain management. The small-batch and custom-made production of more than 30,000 products imposes high requirements on the effective management of the company's supply chain.



Strict Screening, Audit and Admission of suppliers

The company screens, audits and accesses suppliers in the fields of automobiles, construction machinery, home appliances, etc. More than 400 contracted suppliers are assessed and selected from more than 1,500 ; and contracted suppliers have signed the "Incorruption Commitment" 100%.

Periodic Evaluation, Evaluation and Adjustment

The company conducts hierarchical management, annual review, quarterly evaluation of qualified suppliers, and makes corresponding adjustment according to the evaluation situation during the period.

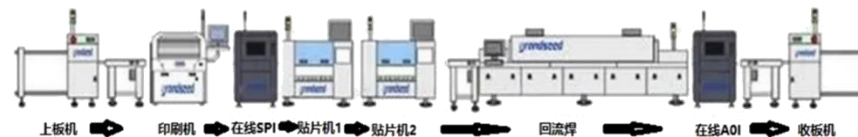
Efficient and Agile Supply Chain System

Based on the needs of the market and customers, QI Automotive has created an efficient and agile supply chain system through professional management. In the product development and design stage, effective project planning, and R&D personnel to review and improve the supplier's design and production process, speed up the product development, and improve the success rate. At the same time, through a variety of detection methods and test verification, the supplier's production process is continuously monitored and controlled, and the supplier's technology and quality management has been effectively improved.

Case Study: QI Automotive Wholly-Owned Subsidiary QI Automotive (Qingdao)'s Flexible Production to Achieve Efficient Customization in Small Batches

In the products design stage, engineers will implement platform and domestic replacement for its chips according to the product's function, gradually getting rid of the dependence on imported chips, while lowering the final product cost and benefit consumer.

According to the characteristics of QI Automotive (Qingdao)'s products, "multiple types, small batches", the company has set up a flexible production workshop. The production workshop is divided into two parts, one is SMT mounting, one is post-process assembly. SMT mounting selects international leading automatic mounting production line, from loading, mounting, welding, inspection, under the plate to achieve fully automatic production. The mounting speed of this line is about 50,000 points per hour. The picture is as follows:



Market Recognition and Appreciation

QI Automotive won China's auto parts industry supply chain awards in 2023.

2023

China Auto Parts Supply Chain Golden Chain Award 2023



2023

6th Auto Parts Supply Chain Golden Star Award 2023



5.2 Science and technology innovation, transmitting the company's development momentum



QI Automotive believes that "Science and Technology is the first productive force", makes use of the accumulated experience in the industry, constantly carries out product development and innovation; actively brings in excellent external talents, focuses on the industry demand points found in the market survey, absorbs the design concept of cross-border products, carries out targeted development and innovation, leads the market demand and meets the needs of customers. In terms of innovation, the company through a variety of ways, to maximize the creativity of employees. At the same time, the company has invested a lot in the direction of automotive electronics, actively layout hardware and software algorithms, some of which have begun to be in mass production.

5.2 Science and technology innovation, transmitting the company's development momentum

Effort in Automotive Aftermarket and Remanufacturing Fields

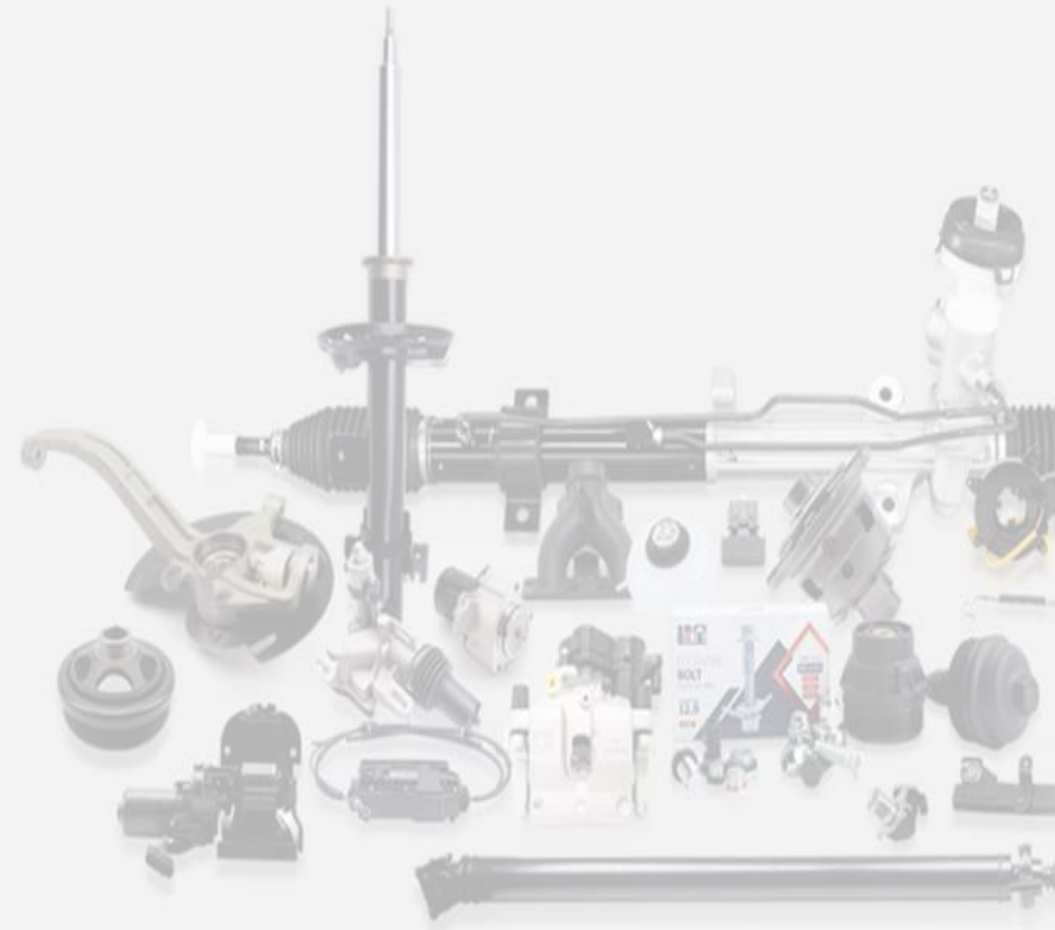
The automotive aftermarket is characterized by multiple varieties, small quantities, multiple batches and high requirements. Customers in the large automotive aftermarket have higher requirements for suppliers. The company has realized the linkage development of the domestic and international markets through years practice. The company's domestic business has grown rapidly recent years,, and many well-known domestic auto parts chain enterprises, such Guangdong Mancando, Jiangsu Carzone, TUHU and so on.

The development of the automotive aftermarket mainly relies on the two driving forces of car ownership and car age. According to the Traffic Management Bureau of the Ministry of Public Security, by the end of 2023, the car ownership in China will reach 336 million; according to F6 Big Data Research Institute, the average age of China's passenger car will reach 6.4 years by 2022.

As for the prospects of the automotive aftermarket, QI Automotive believes that the automotive aftermarket is a huge market, and the markets of China, the United States and Europe are expected to account for 75% of the global market in the future. With the growth of the age of vehicles and the increase in the number of cars, the number of customers in the automotive aftermarket will grow significantly, and the automotive aftermarket will develop rapidly.

Under the background relative resources scarcity, in response to the national "Dual Carbon" goal, QI Automotive has deployed the field of automotive parts remanufacturing, currently remanufacturing products include brake calipers, wiper motors and wiper assemblies.

With more than 30000 products, QI Automotive cover automotive transmission, engine systems, braking systems, steering systems, electrical and electronic systems, automotive electronics etc. The main spare parts for foreign sales are of a wide variety of customized products, involving the main automotive systems. From the perspective of product, the provided parts are finished products, which can be replaced, installed to play a role in the vehicle directly.



5.3 Green and low-carbon, strengthen the company's environmental protection concept

QI Automotive adheres to the path of sustainable development, and earnestly implements the environmental protection concept of green and low-carbon. Vegetarianism is promoted, and biodegradable garbage bags and lunch boxes are used. Advocate the use of second-hand office furniture, advocate low-carbon office work and save energy. Adhere to the investment in the field of automotive parts remanufacturing, to maximize the effect of energy conservation and environmental protection in the automotive aftermarket.

The company consumes less land resources, only leasing buildings less than **30,000 square meters**, but creates more than **500 million** sales revenue, and hire more than **280 employees**.

The company promotes vegetarianism and provides vegetarian lunches for employees three times a week. Since January 2022, a total of **35,483 vegetarian meals** have been provided, with a carbon emission reduction of **27,676,740 grams**, using biodegradable lunch boxes;

The company advocates the use of second-hand office furnitures to achieve environmental protection and reduce consumption. From 2020 to 2023, second-hand conference tables, swivel chairs, workstations, side cabinets, etc., totaled **RMB 187,932** while the purchase amount was **RMB 20,350** in 2023;

Office pantry set up central water supply devices, encourage employees to use own cups, conference room reception use ceramic cups, glasses, reduce the use of disposable paper cups; bottled water need to apply if required etc. Try various measures to promote carbon reduction.

5.3 Green and low-carbon, strengthen the company's environmental protection concept

Online application for various office supplies, quantitative use; Choose biodegradable garbage bags;

Advocate low-carbon office, with "Control the air conditioning temperature", "Turn off the lights timely", "Power off when left", "Save water" and other logo specifications, uninterrupted transmission of environmental protection awareness to employees; at the same time, carry out a monthly "Cleaning Practice", irregular inspection notification, improve employee's environmental health awareness, to create an environmentally-friendly enterprise;

Reasonable maintenance, transformation and reuse of computers, printers and other office equipment, to enhance the efficiency of fixed assets;

A total of **5** new energy vehicles have been purchased for employees' commute, among which **3** vehicles as employee commuter shuttles in 2023.

Production Energy Conservation



The main energy consumed directly or indirectly in the company's production and operating activities and office work is electricity. QI Automotive has issued energy conservation, green office proposals and other documents, to continuously improve the efficiency of energy use, optimize the energy use structure.

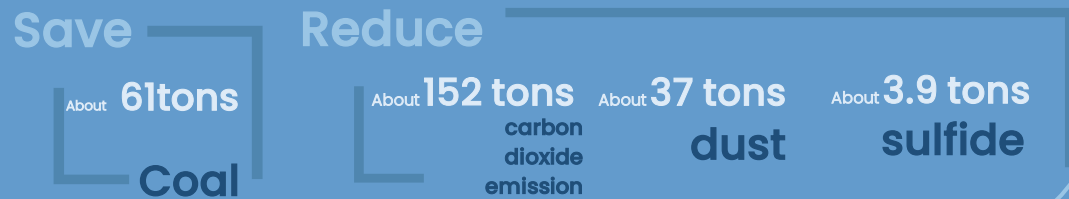
In 2023, the company carried out a production audit, to identify the energy conservation to be improved and to formulate an implementation plan to implement it. In terms of energy conservation and consumption reduction, the company has started a number of energy-saving technical renovation projects.

Case: Brake calipers remanufacturing

Medium frequency electric furnace smelting 1 ton of molten iron consumes the electricity about 650 KWH, and 1 ton of finished calipers requires 2 tons of molten iron consuming the electricity about 1,300 KWH. To calculate according to the weight of each caliper is about 5 kg, the electricity consumption of each caliper is about 6.5 degrees.

In addition, conventional machining equipment can process 3 calipers in 1 hour consuming the electricity about 12 degrees. Accordingly, the machining electricity consumption of each caliper is about 4 degrees.

Therefore, taking caliper remanufacturing technology, each caliper can save electricity about 10.5 KWH. CoreMax produced about 20,000 calipers in 2023, it is estimated to save electricity about 210,000 KWH. According to the current calculation that the burning heat of 1 ton standard coal converting into about 3,333 KWH of electricity, the 20,000 calipers produced by CoreMax in 2023 can:



Green products



With the gradual deterioration of the environment, in order to reduce environmental pollution and resource consumption, our country is vigorously developing circular economy, which emphasizes efficient use of resources and minimum waste, such as material recycling, extension of product life cycle, reduction of resource consumption, etc. Through the circular economy model, enterprises may optimize the allocation of resources, reduce costs, and discover new business models and profit growth points. A circular economy is also conducive to enterprises to better fulfill their social responsibilities, reduce their negative impact on the environment, enhance their public image, enhance their relations with the communities, consumers, employees and other interested parties, and enhance the social value and brand reputation of enterprises.

The development of calipers remanufactured by CoreMax enables the re-use of secondhand goods, and reduces the use of new goods, so as to reduce the smelting of iron ore in the industrial chain, reduce the demand for ores, and reduce the use of castings to realize electricity saving.

The price of the remanufactured products is generally lower than that of the new products. Judging from the current market feedbacks, excluding the differences in product distribution, geographical economy and consumption level, the average price of the remanufactured products is lower than that of the new products by about 15% -20%. The price difference will benefit the vehicle owners, reduce the maintenance cost of vehicle owners, facilitate the product diversity of the national automobile aftermarket, enable the vehicle owners to have more choices and promote the development of the aftermarket. CoreMax's remanufacturing also improves the reuse rate of resources, reduces ore mining and smelting, protects the vegetation, reduces the amount of energy use and emissions of carbon dioxide, dust and sulfide.

Example

The world's leading automotive countries attach great importance to the remanufacturing of auto parts. In the United States, professional remanufacturing companies have annual sales of US \$73 billion (about 515.4 billion yuan), among which the remanufacturing industry of auto parts accounts for the largest share, with total annual sales of US \$56.5 billion (about 398.9 billion yuan). QI Automotive developed remanufactured caliper repair kits and spare parts (pistons, guide pins, brackets, etc.) developed separately for refurbished customers for the North American market.





Since its establishment , CoreMax has been committed to the development of the domestic auto parts remanufacturing industry, leveraging QI Automotive's experience of serving famous overseas remanufacturing customers. CoreMax actively responds to the national call to respond to the implementation of the national carbon-neutral strategy with practical action.

Remanufacturing industry is a recycling, energy-saving and emission-reducing manufacturing industry, which practices the concept of green development, and is conducive to saving resources, reducing the consumption of raw materials, reducing pollutants and greenhouse gas emissions. Compared with manufacturing new products, remanufactured products can save 50% of costs, 60% of energy and 70% of materials, and the price is only about 80% comparing to new products. Therefore, from the angle of developing circular economy, remanufacturing auto parts is highly economic and practical.

The automotive remanufacturing industry in China fell behind, QI Automotive adheres to the legal and compliant development, actively cooperate with upstream and downstream enterprises, and practice the values of law-abiding business. Combined with the development trend of the remanufacturing industry, a healthy and virtuous cycle of the remanufacturing industry will be gradually achieved.

5.3 Green and Low Carbon, Strengthen the Concept of Environmental Protection

Emissions and solid waste management

QI Automotive manage emissions and solid waste in strict accordance with national requirements.



Recycled Class I Solid Waste

The company sell the general solid waste generated in the production process, such as packaging bags, dust removal equipment, scrapped parts, sizing, hot slag, steel shot, etc., to resource recovery professional enterprises for reuse.



Professional disposal of Class II Hazardous Waste

The company will hand over the Class II hazardous waste generated in the production process, such as waste ultrasonic sediment, waste steam cleaning liquid, waste oil barrels, waste brake fluid, waste brake pads and other wastes to qualified third-party enterprises for regular disposal.



5.3 Green and Low Carbon, Strengthen the Concept of Environmental Protection

Climate change and carbon emissions

QI Automotive pays great attention to global climate change and carbon emissions, and actively responds to the national call to implement the national carbon-neutral strategy with practical action.

01 Adopt photovoltaic to save energy

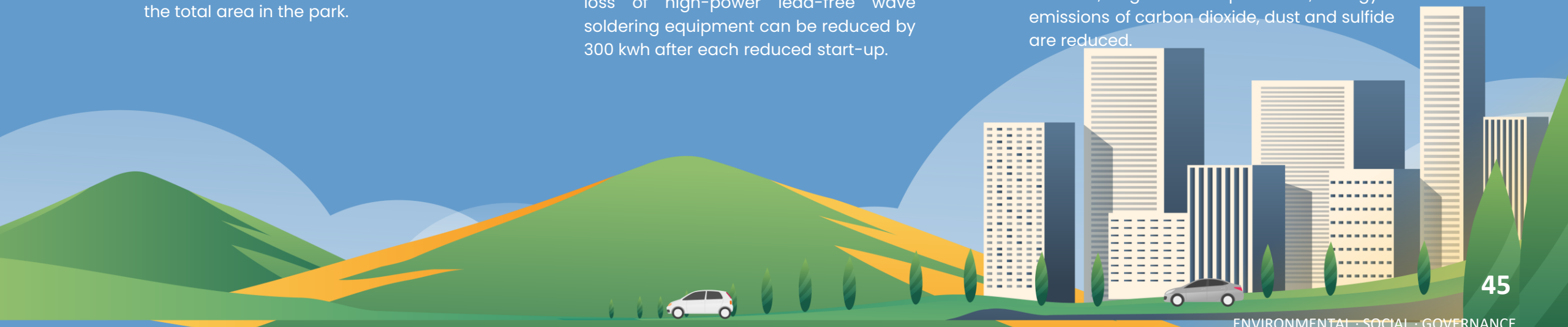
The Transfer Industry Park where the production area of the Company is located delivers about 5,200,000 kwh to the national grid every year. The photovoltaic power generation area of the warehouse we rent is 12,034.8 square meters, covering about 13% of the total area in the park.

02 Optimization of process to reduce energy consumption

QI Automotive (Qingdao) implements rational production schedule to enhance efficiency and reduce waste by centrally producing products with the same process, reducing the times of start-up and reducing energy consumption. For instance, the power loss of high-power lead-free wave soldering equipment can be reduced by 300 kwh after each reduced start-up.

03 Enhance resource recycling rate and reduce energy consumption

Automotive remanufactured products are recognized in the market. With the expansion of the scale of remanufactured products, the coordinated development of the upstream and downstream of the remanufacturing industry chain can be driven, employment is promoted, the rate of resource recycling is enhanced, ore mining and smelting are reduced, vegetation is protected, energy use and emissions of carbon dioxide, dust and sulfide are reduced.



5.3 Green and Low Carbon, Strengthen the Concept of Environmental Protection

Create social value with remanufacturing technology



Promote the overall compliance and sound development of remanufacturing industry through CoreMax's solid governance and standardization Modest contribution to the development of the domestic auto parts remanufacturing industry.

1. As the auto aftermarket developed lately, QI Automotive adhere to the legal and compliant development, actively cooperate with upstream and downstream enterprises, practice law-abiding operation, and actively promote a healthy and virtuous cycle of the remanufacturing industry.
2. In the absence of reference standards, QI Automotive has worked with China Association of Automobile Manufacturers and other relevant departments participating in the formulation of group standards for caliper and wiper motors, so that domestic remanufacturing enterprises have standards and regulations to follow.

Save social capital and reduce energy consumption through technological innovation

QI Automotive's subsidiary CoreMax Remanufacturing actively carries out technological innovation and invention with 20 years of experience and technical precipitation. By the end of 2023, CoreMax has obtained 17 utility model patents, which generate effectiveness in :

1. Winning a good reputation from customers, the reliability of remanufactured products has been widely recognized by customers and a good reputation;
2. Greatly improving production efficiency and reliability have been greatly improved. Taking Patent 2022225941536 as an example, the use of this special tool has resulted in a 50% increase in the efficiency of disassembly;
3. Significantly reducing the probability of return or exchange, such as the return rate of calipers is within 0.85% in 2023.

5.4 People oriented and consolidating the cornerstone for the development of the company

Talent is the vital force for the sustainable development of QI Automotive. The company spares no efforts to safeguard the legal rights and interests of each employee, to provide a sound occupational health management system, to establish an effective employee training system, to offer competitive salary package and to provide democratic communication through multiple channels.

QI Automotive adheres to the people-oriented corporate culture, actively pursues the happiness of all employees in both spiritual and material aspects and constantly improves the remuneration and welfare of employees.

5.4.1 Employee Development

QI Automotive insists on the concept of "Fair employment, Narrow in and wide out" in personnel selection. Recruitment is not affected by gender, age and marital status, so as to ensure the candidates can get the opportunity of fair competition. Meanwhile, the Company actively pays attention to the employees' growth and long-term development, and supports the employees' growth in a timely manner by means of appointing mentors, annual talent assessment twice, timely job rotation learning, diverse training and other measures based on their academic, capability and professional background.

New Employee Training

Each employee is designed with a mentor within one week after onboard, and establish a training plan for the probation period to help the employees quickly adapt to the working environment and be familiar with the responsibilities of their position.

Mental and Mindset Enhancement Training

The company pays attention to the cultivation of "Altruistic Spirit" of the employees. From 2022, the company conduct study and punch-in activities every day, with the management philosophy of Kazuo Inamori as the major training content. Meanwhile, the company organize the employees to participate in "Six rigorous training items" and other special external training activities. In 2023, the total investment for such training is RMB500,000 yuan, and 182 employees participated accounts employee rate of 64%. These training actively create a friendly and united work environment, and help to build an atmosphere of a friendly and harmonious society.

5.4.2 Employee Care

In order to comply with the laws and regulations, the Company provide fair and reasonable remuneration for employees and ensure that employees are paid fairly. In 2021 and 2022, by the remuneration ranking of more than 60 A-share listed companies in Qingdao , the average remuneration of QI Automotive employees ranks 25th and 27th respectively, belonging to the upper middle level.

Mandated Benefits

Paid annual leave, five insurances and one housing fund, supplementary commercial insurance

Holidays Allowance

Greetings and allowance to employees on important traditional holidays

Flexible Allowance

Windbreaker, backpack, purchase money of children's clothes, tire, three filter, daily necessities etc.

Subsidies

Accommodation/heating subsidy are provided for more than 15% employees

Allowance

Quarterly meal subsidy, etc.

Commuting Allowance

Provide shuttle bus for long-distance commuting employees.

Team building

In 2023, two staff trips are organized and other team building activities are organized irregularly

Corporate Welfare



5.4.3 Women's Care

To maximize gender equality, the recruitment of employees is not affected by gender, age, marriage, reproductive status or other factors. The company has set up a "Mommy Cafe" for pregnant and lactating employees, which is equipped with electric reclining chairs, refrigerators and other facilities. At the same time, female employees with special circumstances, such as discomfort during pregnancy, giving birth to twins, or giving birth to a second child and leaving them unattended, can apply for the home office.

As of December 31, 2023

The proportion of female employees in the company was 29%

Since the IPO in Nov. 2021

The proportion of female employees has increased year by year, increase 18 female , for additional 27%

As of December 31, 2023

The proportion of women in senior executives was 50%, same as last year



5.4.4 Employee Health and Safety

The company adheres to the safe production policy of "adhere to safe production, create safe atmosphere, and guarantee physical and mental health", implements the Labor Law of the People's Republic of China, Safety Production Law of the People's Republic of China, and other relevant laws and regulations, and sets safe production objectives. Employees of relevant posts shall participate in company-level trainings in accordance with the scope of trainees specified in the training plan. Specifically, the legal representative (chairman), deputy general manager, senior customs officer, customs officer (Logistics Manager), persons in charge of departments, and customs and trade safety related posts shall participate in at least two training on customs laws and regulations and one training on trade safety each year; such trainings include the company's daily security management system, crisis management and emergency drills.

All employees shall participate in at least one training on information and data security;

The Company carries out safety knowledge popularization and propaganda for all the staff, carry out training for emergency disposal and crisis management and focus on enhancing their understanding to play their roles, and through study, enhance their consciousness of guaranteeing the work quality, protecting the environment, preventing safety accidents and making continuous improvements and be familiar with the emergency preparedness and response requirements of their respective posts.

5.5 Move forward hand in hand in the spirit of altruism

QI Automotive advocates the spirit of "Altruism Spirit", the company work together with all employees, investors, suppliers and customers to practice the core values of "doing business by law and contributing to prosperity to the society". We also advocate doing good to others, actively contributing back and taking the initiative to undertake social responsibility.



The starting point of business is altruism.

In January 2022, the company's mission was changed to "Pursuing the happiness of all employees in both material and spiritual aspects, creating cost-effective products, helping customers grow, and saving money for car owners worldwide". In the company's core values, "Diligently improving employees "happiness" was put in the first place, and was publicized and implemented to all employees at the annual meeting.

As of December 31, 2023, QI Automotive enables employees to directly or indirectly hold shares in the company through equity incentive plans and employee stock ownership platforms, covering 128 employees, accounting for 44.6% of the total number of employees.

The core of the corporate culture is "accumulating good deeds and thinking of altruism"

5.5 Move forward hand in hand in the spirit of altruism

The "Philosophy of Sweeping" advocates "Care for the environment and do your best". By sweeping the offices and roads nearby the company buildings, employees develop a grateful and altruistic heart to the nature.

One candle illuminates the corner, and ten thousand candles illuminate the country. Managers take the lead in cleaning the toilets, public health areas and the health around the office area. Emphasize that no matter how small thing is, once done thoroughly, it can release great energy.

Leading employees to practice "Philosophy of Sweeping"

One of the core values is "law-abiding business, contributing to prosperity to the society". While growing and developing, we are concerned about contributing to the society. The company and Chairman take the initiative to undertake social responsibility, donating more than 3 million yuan to the Jiaozhou Red Cross and Charity Federation. Since 2020, employees have actively participated in the "One-day charity donation" organized by the company, and the proceeds have been donated to Jiaozhou Charity Federation.

Since 2016, the company has built a partnership with Yantai University of Mechanical and Electrical Automotive Engineering Institute, and set up QI Automotive "Star of the Future Award", grants, scholarships and other donation awards in the 2023 to benefit more students.

Social welfare

QI Automotive
Professional Auto Parts

QI Automotive

Dares to be the First in the World

April 2024

